

TO: Secretary Paige
FROM: COO Greg Woods
OSFA
RE: Weekly Report
DATE: March 19, 2001

THE WEEK AHEAD

ELM Resources Conference: On March 27, 2001, Chief Operating Officer (COO) Greg Woods will address the ELM Resources Conference in New Orleans. The audience will be comprised of executives representing lenders, guarantors, servicers, and tax-exempt secondary markets. Woods will update the Federal Family Education Loans (FFEL) community on the public-private partnership and the general direction of Modernization in the student loan program.

KEY NEWS

ESS College of Business Participation Revocation: SFA is seeking the Secretary's approval to send a Revocation Letter to ESS that would end the school's participation in Title IV programs. The approval is time-sensitive because of a pending cash request from the school (the school is on the reimbursement payment method).

ESS is a proprietary school located in Dallas, Texas (Congressman Dick Armey's district). The ED OIG determined that for FY 1999, ESS failed the 90/10 rule (formerly 85/15). The 90/10 rule is a statutory eligibility requirement that schools cannot get more than 90% (previously 85%) of their revenues from Title IV funds. The OIG notified ESS that it failed the 90/10 requirement, and it appears that ESS altered student ledgers, created fictitious scholarships, and changed promissory notes, in an attempt to deceive the OIG into believing it had complied with this rule. A federal magistrate issued a search warrant to seize all of ESS' financial aid records.

Pending Enforcement Action: SFA and OGC are considering whether to intervene in the qui tam case pending against ITT Educational Services, Inc., of Indianapolis, Indiana. The current deadline to join the suit is March 28. An SFA Final Program Review Determination (FPRD) says ITT violated the statutory prohibition against paying staff commissions to recruit students who will qualify for Title IV aid.

Masters Institute Closure: Masters Institute in California unexpectedly closed on March 9. About 2,000 students are affected. (About 900 in distance education programs, which is a complicating factor in helping students.) Subsequent to the closure, staff from SFA's San Francisco office and the California Bureau of Private Postsecondary and Vocational Education met with students to discuss their rights and responsibilities, possibilities for transfer and teach-out, and possible loan forgiveness.

Coalition of State University Aid Administrators: On March 19, 2001, COO Greg Woods will participate in the Education Department session at the Coalition of State University Aid Administrators (COSUAA) annual conference in St. Augustine, Florida. COSUAA is comprised of financial aid directors at major four-year public schools. Woods will deliver updates on FAFSA on the Web, the Schools Portal, and the status of electronic signatures and Common Origination and Disbursement (COD).

CONFIDENTIAL

DRAFT as of 3/16 3pm

Federal Chief Information Officers Council Meeting: On March 21, 2001, COO Greg Woods will speak to the Federal CIO Council monthly meeting in Washington, D.C. The subject is SFA's "Share-in-Savings" contract with Modernization Partner, Accenture (formerly Andersen Consulting). This contract is the first IT Share in Savings contract in the federal government.

Schools Portal Feedback: During its first week of business, the new "Schools Portal" Web site (<http://sfa4schools.sfa.ed.gov>) had more than 800 visitors. Community feedback has been very positive. Portals for the Students and Financial Partners Channels are under construction and are due later this year.

Trademarking "FAFSA": OGC has filed on SFA's behalf to trademark "FAFSA" (Free Application for Federal Student Aid) and the slogan "We help put America through school." The filing is part of a strategy to address widespread community complaints about a Web site, "fafsa.com," that charges students a fee for filing an aid application on their behalf. Since late January, SFA has received about 80 public complaints about the site, which many mistake for a government Web site. The government site is "fafsa.ed.gov." SFA also is registering the URL "fafsa.gov" to help the public more easily find the official Web site.

FAFSA Processing: SFA staff has processed 2,304,790 student aid applications in the 10 weeks of the 2001-2002 award cycle, 737,447 (or 32%) of which have been electronic. The average turnaround time is 4.3 days, still surpassing our goal of 7 days. The response rate on the drug question is 99.68%. Since November 1998, we have distributed 18,165,620 PINs so that customers can do their business with us electronically.

Information Processing Interagency Conference: On March 14, COO Greg Woods participated in a panel discussion, hosted by SFA operating partner Computer Services Corporation (CSC), at the Information Processing Interagency Conference (IPIC) in Austin, TX. The audience included federal and private industry IT executives. The COO represented the federal view of how government is using e-technology to improve service.

RESOLUTION OF KEY ISSUES

Nothing to report.

PUBLIC AFFAIRS ACTIVITIES

SFA Annual Report to Congress: COO Greg Woods has sent to Sec. Paige, via the Executive Secretariat, the SFA Annual Report. The legislation that established SFA as the first federal Performance Based Organization (PBO) in November 1998 requires SFA to submit an annual performance report to Congress through the Secretary. The packet for the Secretary includes an explanatory memo, a draft memo to key members, the Annual Report, the required financial statements (on CD-Rom), and the FY 2001 Performance Plan.

Entrance Conference for GAO Review of VFAs: On March 13, staff from SFA, OGC, OCLA, OUS, OPE, OCFO, and OS met with GAO to discuss the scope and objectives for its review of the four guaranty agency (GA) Voluntary Flexible Agreements (VFAs). Sen. Jeffords' Committee on Health, Education, Labor, and Pensions requested the study. GAO plans to conduct the review in two phases: First, the assessment of how VFAs are selected (the front-end process), and then assessment of how VFAs are implemented. The first phase is expected to be completed near the end of this year. The second is scheduled for next year.

Entrance Conference for GAO Review of EDA: On March 15, staff met with GAO to discuss the scope and objectives for its review of the use of electronic debit account (EDA) interest rate discounts in the Direct Loan program. Sen. Jeffords' Committee on Health, Education, Labor, and Pensions requested the study.

REGULATORY ACTIVITIES

Nothing to report.

POLICY DOCUMENTS

Nothing to report.

GRANT ACTIVITIES

Nothing to report.

ON THE HORIZON

OIG to Review Return of Funds: OIG has contacted SFA/CFO to initiate an audit of the return of funds obtained through Tax Refund Offset. We are working to set up an entrance conference, probably for the first week of April. The objectives of the review are to (1) determine the reasons offset tax refunds are returned to borrowers and (2) evaluate management controls.

Reevaluation of Collection Agency Contracts: Results of the GAO-recommended reevaluation of FY 2000 Private Collection Agency Contract Awards are expected to be published March 23. The reevaluation was completed March 16.

FAA Web Access to CPS: Provided integration testing on April 6 goes well, SFA is set to offer financial aid administrators (FAAs) Web access to the Central Processing System (CPS) beginning April 23. This is a major step forward in SFA's computer integration and service to our school customers.

CONTACT INFORMATION

Please contact Karen Freeman at 205-1531 with any questions about this report.